

76-74292
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9 April 1976

MEMORANDUM FOR: Director of Central Intelligence

FROM : Maurice C. Ernst
Director of Economic Research

VIA : Deputy Director for Intelligence *Cap*

SUBJECT : Meeting with Secretary Simon

1. Secretary Simon, when he comes to CIA to meet with you on Friday, April 16th, will be accompanied by Gerald Parsky, Assistant Secretary for International Affairs, and Bill Morell, Special Assistant for National Security Affairs and a former Director of OER. CIA's relations with Treasury have generally been good and no contentious issues are likely to come up.

Possible Questions for Discussion

2. Secretary Simon probably considers the meeting to be primarily a means of further cementing what he considers to be a close CIA/Treasury relationship. Details of this relationship are described more fully below. He will no doubt thank us for past support and stress the need for continued support in the future. While there have been some minor tensions between Treasury and the Agency in the past, Secretary Simon has been an avid consumer and a strong supporter of intelligence through his tenure as Director of FEO - now FEA - and later as Secretary Shultz' Deputy at Treasury.

3. Bill Morell tells us that Secretary Simon will appreciate being briefed on those aspects of the Intelligence Community organization that most affect Treasury -- for example, Treasury membership on the successor to USIB and its relationship to the CFI. On the latter, Treasury is concerned about how it can communicate with the CFI. It does not seek membership or observer status but would like to be invited in on an ad hoc basis when issues of major concern to Treasury arise.

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Treasury
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5. Secretary Simon will probably express his concern about Treasury's frequent lack of access to critical State Department cables often no higher than Ex-Dis. The problem of State Department parochial secrecy is clearly not ours alone.

6. The Secretary will probably express his concern about the lack of integration of economic issues into political NIEs. An example he has cited is a recent Italian estimate which does not adequately treat the economic causes of the shift of power from the Christian Democrats to the PCI. He feels, more generally, that economic intelligence should receive a larger share of resources and should have a closer interface with the Economic Policy Board and other economic decisionmakers.

7. Finally, he may raise the question of reactivating formal machinery for producer-consumer interactions. Until the National Security Council's Intelligence Subcommittee was disbanded, it sported an Economic Intelligence Subcommittee chaired by Treasury. That committee was never active and it is difficult to make a case for its revival. Our experience has been that informal communication is the best way of strengthening these interactions.

CIA's Relations With Treasury

8. CIA deals mainly with Treasury's Office of the Assistant Secretary for International Affairs (OASIA) and the Office of the Special Assistant for National Security (ONS). OASIA is responsible for the formulation and implementation of nearly all Treasury's economic policy functions. It covers most important foreign countries and major commodities; runs its own foreign

service, the Treasury attaches; and has a small research unit under the direction of [] []

[] ONS assures the flow of intelligence and other information to Treasury's policy desks, provides representation for Treasury in Intelligence Community functions, and generally facilitates links between Treasury and CIA.

9. CIA gives Treasury a great deal of support:

-- Two OER analysts []

[] detailed to ONS, provide oral briefings for nearly all the top level economic officials in Washington. Daily briefings are given to Secretary Simon (usually by Bill Morell), Under Secretary Yeo, several other high-level Treasury officials, Presidential Counselor Seidman, STR Ambassadors Dent and Yeutter, CEA Chairman Greenspan and OMB Director Lynn. Also briefed one or more times a week are Secretary of Commerce Richardson, and his chief subordinates, FEA Director Zarb, Labor Secretary Usery, and Federal Reserve Board Chairman Burns. This service could be provided directly from CIA. The Treasury connection is a convenience to CIA and an important asset to ONS.

-- Secretary Simon reads the NID, EIW, and IOD, and Treasury receives all other finished and raw intelligence reports (except the PDB) in which it is interested.

-- CIA prepares a great many special studies at Treasury's request. Treasury is OER's second largest customer (after State). These requested studies cover a wide variety of topics (see attached list Tab B), ranging from major briefings for top levels to statistical information for the working level. Although economic topics predominate, CIA's support also includes political analyses and biographic information. We made a considerable effort, for example, to brief Secretary Simon and Assistant Secretary Parsky prior to their recent trip to the Middle East.

-- Relations with the permanent Treasury bureaucracy are uneven but improving. Treasury officials view CIA as a source of information,

analysis and independent assessments on areas in which Treasury is relatively weak, such as Communist countries, most LDCs, and certain commodities (for example, grain). In areas where Treasury is strong, such as international monetary affairs and industrial countries, Treasury tends to view CIA as a competitor, if not as an infringer on its prerogatives. Other agencies, on the other hand, (such as State), do look to CIA for independent assessments in these areas. In the past, lower level officials at Treasury have resented CIA's easy access to the Secretary. These frictions have been much reduced in the past year or so, however. We are generally contributing to Treasury briefings rather than preparing independent ones. And there is a greater willingness on Treasury's part to bring us into the action at an early stage.

[REDACTED]

MAURICE C. ERNST

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Attachments:
as stated

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1	DDI	9 Apr	EW
2	DCI	16 APR 1976	YB/RT

Also attached is 9 April letter to you from Sec. Simon to which response not yet prepared. I am assured it most unlikely substance of letter - which is review of Treasury Support to CIA - will come up at your meeting.

[Redacted]

Obvious response to Simon's concern the Economic intelligence not noted sufficiently by policy makers is that it clear such intelligence will more and more be considered vital input to national security questions.

SA/DCI

<p>16 Apr</p> <p>DCI/SIMON</p>

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